

MONTHLY INVESTMENT REPORT AND NTA UPDATE AS AT 30 APRIL 2019

NET TANGIBLE ASSET VALUE BREAKDOWN

PRE TAX NTA	POST TAX & PRE UNREALISED GAINS TAX NTA	POST TAX NTA	SHARE PRICE	PREMIUM/ (DISCOUNT) TO NTA (PRE TAX)	FULLY FRANKED DIVIDEND YIELD
\$1.04	\$1.06	\$1.04	\$0.86	(17.31%)	6.05%

MARKET INSIGHT

For the month of April, the NAC Investment Portfolio increased by +3.65%, underperforming the benchmark S&P/ASX 300 Industrials Accumulation Index (ASX: XKIAl) which increased by +3.78% over the same period. This brings the inception performance over 4 years and 6 months to +66.70%, vs. the benchmark index which has returned +33.99%.

One of the biggest positive contributors to performance for the month was Costa Group (ASX: CGC). We added Costa to the NAC Investment Portfolio in January following the release of a downgrade to their earnings, which saw the share price fall to \$4.50, 50% below the \$9.00 share price that the company traded at in June of last year. Costa is Australia's leading grower, packer and marketer of fresh fruit and vegetables. They have a very dominant market position and make for a very difficult competitor to smaller players. That said, the company is not without exposure to agricultural conditions and market supply and demand dynamics which contributed to their downgraded earnings. During the month, NAOS analyst Rachel Cole travelled to China to visit Costa's operations in that region, which included a tour of their blueberry, blackberry and raspberry farms in Yunnan province. The trip provided us with key insights into Costa's quality of operations and management, future growth potential and the company's relationship with local community and government – encouragingly this was all positive. While the China operation has been a long time in the making, it is still undergoing constant improvement in farming practices and new berry varieties, meaning better efficiencies should continue to be unlocked over time. We also gained increased confidence that the headwinds faced in the Australian operations late last year were short term in nature and have since improved. CGC continue to invest for future growth in an attempt to generate their targeted double-digit earnings per share growth over rolling 3-5 year periods. The management team are heavily aligned and they continue to innovate in order to be the leading player in their markets.

During the month we took the opportunity to take profit in Class Limited (ASX: CL1) following a sharp share price rebound. Class is a leading provider of software administration to the self-managed super fund (SMSF) sector. The company generates strong cash flow and has an extremely high customer retention rate, resulting in a high level of recurring revenue and a net cash balance sheet position. We have followed the Class story for some time, however despite strong attributes we could not get comfortable with the valuation. Following the departure of their CEO in October of last year, the market over-reacted and the share price fell to a level we believed represented value. It was not our intention to hold the shares for such a short period of time, however following a strong bounce back in price, valuation again became an issue, so we decided to take profit.

As at the end of April, the NAC portfolio has 11 long positions and 1 short position.


INVESTMENT PORTFOLIO PERFORMANCE


	1 MONTH	1 YEAR	2 YEARS (P.A.)	3 YEARS (P.A.)	4 YEARS (P.A.)	INCEPTION (P.A.)	INCEPTION (NOM.)
NAC Investment Portfolio Performance*	+3.65%	+0.29%	+5.13%	+6.95%	+12.05%	+12.13%	+66.70%
S&P/ASX 300 Industrials Accumulation Index	+3.78%	+9.67%	+5.21%	+9.07%	+6.06%	+7.67%	+39.05%
Performance Relative to Benchmark	-0.13%	-9.38%	-0.08%	-2.12%	+5.99%	+4.46%	+27.65%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders. Since inception (p.a. and nom.) includes part performance for the month of November 2014. Returns compounded for periods greater than 12 months.

INVESTMENT BELIEFS


VALUE WITH LONG TERM GROWTH 


QUALITY OVER QUANTITY 

INVEST FOR THE LONG TERM 

PERFORMANCE V LIQUIDITY FOCUS 

IGNORE THE INDEX 

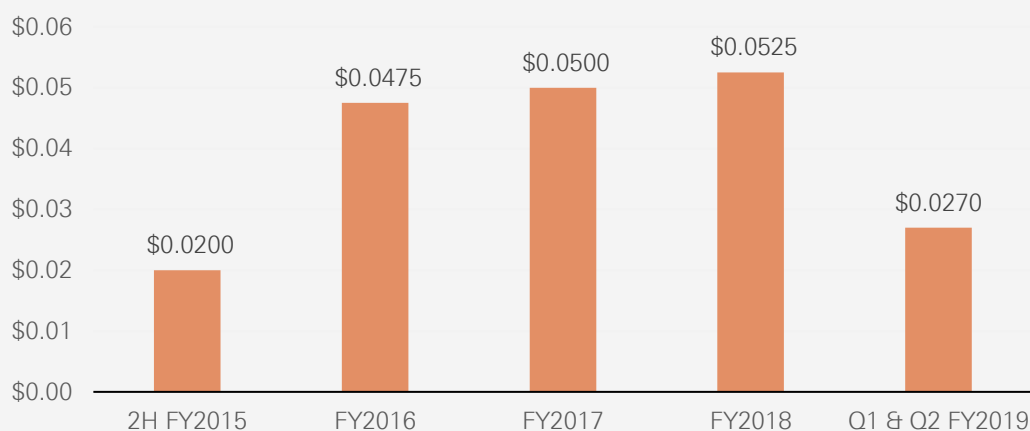
PURE EXPOSURE TO INDUSTRIALS 

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) 

MANAGEMENT ALIGNMENT 

FULLY FRANKED DIVIDEND PROFILE (CENTS PER SHARE)

NAC aims to deliver shareholders a sustainable growing stream of fully franked quarterly dividends.



STOCK CONTRIBUTION ANALYSIS

The table below lists the top 5 positive stock contributors to the investment portfolio since inception.

TOP 5 POSITIVE CONTRIBUTORS	CONTRIBUTION TO RETURN (%NAV)
MNF Group Limited (ASX: MNF)	7.97%
People Infrastructure Limited (ASX: PPE)	7.03%
Service Stream Limited (ASX: SSM)	6.88%
BSA Limited (ASX: BSA)	6.63%
Event Hospitality & Entertainment Limited (ASX: EVT)	5.28%

KEY METRICS – SUMMARY DATA

Weighted Average Market Capitalisation of the Investments	\$819.6 million
Number of Holdings	11 Long Positions, 1 Short Position
Cash Weighting	9.99%
Standard Deviation of Returns (NAC)	10.87%
Standard Deviation of Returns (XKIAI)	11.25%
Downside Deviation (NAC)	5.68%
Downside Deviation (XKIAI)	6.10%
Percentage of Positive Months (NAC)	61%
Percentage of Positive Months (XKIAI)	63%
Shares on Issue	52,536,889
NAC Directors Shareholding (Ordinary Shares)	7,508,999

INVESTMENT PORTFOLIO PERFORMANCE MONTHLY RETURNS*

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
FY19	+0.24%	+6.23%	-1.46%	-10.41%	+1.93%	-4.57%	+5.20%	+0.10%	-0.10%	+3.65%		
FY18	-0.54%	+0.76%	+1.22%	+2.28%	+6.69%	+3.18%	-0.27%	-1.99%	+0.23%	-2.05%	+0.85%	-0.25%
FY17	+3.81%	+5.01%	+3.84%	-0.22%	-0.63%	-1.98%	+0.35%	-2.56%	+1.48%	-2.78%	-0.11%	+0.65%
FY16	+0.31%	-1.35%	+1.98%	+3.38%	+3.63%	+7.93%	-2.39%	-1.02%	+5.97%	+4.48%	+4.83%	-0.51%
FY15					+0.54%	-1.66%	+2.77%	+0.88%	+2.73%	+0.43%	+4.87%	-1.54%

* Investment Portfolio Performance is post all operating expenses, before fees, taxes and initial IPO and placement commissions. Performance has not been grossed up for franking credits received by shareholders.



Important Information:

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